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T.R.A. DOCKET ROOM

August 31, 2005

The Honorable Ron Jones, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Nashville Gas Company, Docket No 99-00207

Dear Chairman Jones:

In accordance with the reporting provisions of Service Schedule No. 14, Performance Incentive Plan, as approved in the above captioned docket, Nashville Gas Company ("Nashville") submits the accompanying annual report of shared gas cost savings for the period July 1, 2004, through June 30, 2005.

As the summary indicates, the accumulated total gains and savings under the plan for this reporting period total \$4,496,045. Under the Plan's sharing formulas, \$2,896,045 of these gains and savings will be allocated to the Company's ratepayers. The remaining \$1,600,000, the maximum allowed under the Plan provisions, of the gains and savings is to be credited to the Company's Incentive Plan Account in accordance with the terms of the Plan.

Detailed calculations supporting the amounts shown on the summary are provided in this filing subject to the execution of non-disclosure agreements.

I am enclosing one additional copy of the summary that I would appreciate your stamping "filed" and returning to me in the enclosed envelope.

Sincerely,



David R. Carpenter  
Director of Rates

Enclosures

c: Russell Perkins, Deputy Attorney General

# Summary of Nashville Capacity Incentive Mechanism Gain/Loss July 2004 - June 2005

Total Nashville Demand \$	Sharing % Ranges	Sharing \$ Ranges		Nashville/ Ratepayer Sharing %	Month	Monthly Capacity Release \$	Monthly Offsystem Sales \$	Total \$	Cumulative Total \$	Total Nashville Gain/(Loss)	Total Ratepayer Gain/(Loss)
		From	To								
\$ 11,709,198	0% to 1%	\$ -	\$ 117,092	0% / 100%	Jul-2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1% to 2%	\$ 117,092	\$ 234,184	10% / 90%	Aug-2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2% to 3%	\$ 234,184	\$ 351,276	25% / 75%	Sep-2004	\$ -	\$ 19,292	\$ 19,292	\$ 19,292	\$ -	\$ 19,292
	Above 3%	\$ 351,276		50% / 50%	Oct-2004	\$ 1,650,000	\$ 46,956	\$ 1,696,956	\$ 1,716,248	\$ 723,468	\$ 973,488
					Nov-2004	\$ -	\$ 73,807	\$ 73,807	\$ 1,790,055	\$ 36,904	\$ 36,904
					Dec-2004	\$ -	\$ 82,478	\$ 82,478	\$ 1,872,533	\$ 41,239	\$ 41,239
					Jan-2005	\$ -	\$ 125,960	\$ 125,960	\$ 1,998,493	\$ 62,980	\$ 62,980
					Feb-2005	\$ -	\$ 136,841	\$ 136,841	\$ 2,135,334	\$ 68,420	\$ 68,420
					Mar-2005	\$ -	\$ 314,294	\$ 314,294	\$ 2,449,627	\$ 157,147	\$ 157,147
					Apr-2005	\$ 437,830	\$ -	\$ 437,830	\$ 2,887,457	\$ 218,915	\$ 218,915
					May-2005	\$ -	\$ -	\$ -	\$ 2,887,457	\$ -	\$ -
					Jun-2005	\$ -	\$ 18,948	\$ 18,948	\$ 2,906,404	\$ 9,474	\$ 9,474
						\$ 2,087,830	\$ 818,575	\$ 2,906,404		\$ 1,318,546	\$ 1,587,858

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Sincerely,

A handwritten signature in black ink, appearing to read "David R. Carpenter", with a long, sweeping horizontal line extending to the right.

David R. Carpenter  
Director of Rates

Enclosures

c: Russell Perkins, Deputy Attorney General

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## **NON-DISCLOSURE AGREEMENT**

Whereas, Nashville Gas Company (Nashville) has filed with the Tennessee Regulatory Authority (TRA) in Docket No. 99-00207 a summary of its shared gas cost savings for the period February 1, 2005, through April 30, 2005; and

WHEREAS, the TRA Staff, the Consumer Advocate and Protection Division of the State of Tennessee (Consumer Advocate) have been provided with supporting calculations for the summary information (Supporting Calculations), and

WHEREAS, Nashville believes that the disclosure of the Supporting Calculations to the public or to certain members of the public could adversely affect Nashville's ability to obtain favorable terms in future negotiations for gas supply; and

WHEREAS, Nashville has agreed to make the Supporting Calculations available to employees of the TRA Staff and employees of the Consumer Advocate (collectively, Authorized Agencies) on the condition that such persons execute this Non-Disclosure Agreement,

NOW, THEREFORE, the undersigned person agrees as follows:

1. The undersigned person is an employee of one of the Authorized Agencies and desires to review the Supporting Calculations solely for the purpose of reviewing Nashville's compliance with the TRA's orders in Docket No. 99-00207; and
2. The undersigned person will keep the Supporting Calculations in a secure place and will not permit them to be seen by any person who is not an employee of one of the Authorized Agencies who has executed a Non-Disclosure Agreement indicating his or her intent to comply with the terms hereof.
3. The undersigned person agrees that prior to the entry of an appropriate protective order he or she will not disclose any information obtained from reviewing the Supporting Calculations orally or in writing to any other person other than another employee of one of the Authorized Agencies who has executed a Non-Disclosure

Agreement and that upon the entry of an appropriate protective order he or she will comply with the terms thereof.

4. The undersigned person will not make copies of the Supporting Information or any portion thereof; however, the undersigned person may take notes on the Supporting Information in which event all such notes shall be subject to the terms of this Non-Disclosure Agreement

Signature \_\_\_\_\_

Date \_\_\_\_\_